

# Memorandum

To: Panel Members Date: July 25, 2002

From: Dolores Kendrick, Manager Analyst: J. Johnson  
Peter DeMauro, General Counsel

Subject: One-Step Agreement for **Affiliated Computer Services, Inc. (ACS)**  
(www.acs-inc.com)

## **CONTRACTOR:**

- Training Project Profile: Retraining: companies with out-of-state competition
- Legislative Priorities: Locating into or expansion within California
- Type of Industry: Services
- Repeat Contractor: No
- Contractor's Full Time Employees:
  - Company Wide: 35,000
  - In California: 1,966
- Fringe Benefits: Yes
- Union Representation: No
- Name and Local Number of Union representing workers to be Trained: N/A

## **CONTRACT:**

- Program Costs: \$176,460
- Substantial Contribution: \$0
- Total ETP Funding: \$176,460
- In-Kind Contribution: \$217,560
- Reimbursement Method: Fixed-Fee
- County(ies) Served: Kern
- Duration of Agreement: 24 months

**SUBCONTRACTORS:**

Bakersfield College, Bakersfield, California, \$37,000 for provision of training.

**THIRD PARTY SERVICES:**

Bakersfield College assisted with the development of the application at no charge to the Contractor.

**NARRATIVE:**

Founded in 1988 and headquartered in Dallas, Texas, ACS is a provider of diversified business process and information technology outsourcing solutions for commercial and government clients. Moving from a single financial industry client, ACS has expanded into the energy, financial, government, healthcare, retail, and transportation industries, delivering services to more than 10,000 clients worldwide. This Fortune 1000 company employs more than 35,000 people in multiple locations around the world. Of the 1,966 workers employed at one of three California facilities located in Long Beach (administration) Carson (operations), and Bakersfield (call center), ACS is requesting to retrain 300 of the 755 workers from the Bakersfield call center facility.

As an entity which provides a service out-of-state and/or provides a service in the state in competition with providers of the same service which are located outside the state, ACS, Inc., was approved eligible for funding under Title 22, California Code of Regulations, Section 4416(a)(3,4) Out-of-State Competition.

In 1993, the Department of Education (DOE) contracted with ACS to implement and service the William D. Ford Federal Direct Student Loan Program. This loan portfolio consists of approximately six million borrowers with outstanding loan balances totaling more than \$73 billion. Servicing of this contract was originally handled in Utica, New York. As the portfolio of direct borrowers increased, an additional call center was needed to handle both inbound customer service calls and outbound loan counseling calls. In August 1998, a California call center facility was opened in Bakersfield with an employee base of 50 workers. Today, the Bakersfield facility services all call center activity for the Federal Direct Student Loan Program and employs over 750 workers. This expansion has been a major boon to this rural California community, and the company anticipates that within the next two years the number of workers will reach 1,100.

The inbound customer services representatives (CSR) answer approximately 3.2 million incoming calls per year. The nature of these calls range from balance inquiries, payment verification, and deferment and forbearance inquiries. The priority of the outbound (loan counseling) department is to counsel borrowers on how they can stay in repayment and keep from a default situation. Over 10 million outbound calls are placed per year trying to contact borrowers.

In order to remain competitive with other student loan programs and, as a condition of continuing to do business with ACS, the Department of Education requested ACS move to a web-based loan environment. Currently, information is gathered throughout the day through both inbound and outbound calls and is captured within an outdated VAX terminal (also called dumb terminal or green screen terminal). The information is transferred each night, through a file process, to the servicing system. The borrower's account is then updated.

**NARRATIVE:** (Continued)

While customer satisfaction has always been at the forefront of the company's objectives, by implementing new technology, ACS will be able to facilitate a newer and faster front-end system in which the borrower's profile can be updated in real time thereby providing the CSR with more current information through which to better service the borrower.

Further, due to fast growth over a short period of time, most of the supervisory staff have been promoted from within and have little or no formal training. Each supervisor is responsible for approximately 25 representatives. It is critical that all supervisors have the same or greater level of skills and information in the new technology in order to supervise and coach the CSR's in their major job responsibilities such as customer service, problem solving and information skills.

At ACS, acquisition of higher levels of technological and supervisory skills is mandatory for the viability of the company. The ETP-funded training will allow ACS to become more competitive by improving technology for frontline workers and by upgrading the skills of its supervisors. ACS will provide Management Skills and Computer Skills training to supervisors and Computer Skills training to the CSR staff. The Structured, On-Site Training will be provided under the auspices of a dedicated trainer with the hours and days specifically scheduled.

All project administration will be provided by the Contractor.

No executives who set company policy will be trained under this Agreement.

**Supplemental Nature of Training**

ACS, Inc. invests approximately \$100,000 per year in various types of training, including initial job skills and on-the-job training and skills enhancement training.

Past training has been focused on newly hired workers who attend a four-week training program learning customer service skills. Throughout the year, the CSR is periodically monitored for job performance to identify training needs. If an area of weakness is detected, the CSR will be scheduled for reinforcement training.

Currently there is no formal in-house program for supervisors. Most of the skills acquired are through on the job training and shadowing of other more experienced supervisors. Since ACS does not currently have a formal supervisor-training program, the company has paid class fees for individuals to take short-term supervisory classes from the local community college on their own time.

ACS will continue to provide initial job skills and on-the-job training as new employees are hired. These areas of training will be altered to correspond to the newly installed technology.

**In-Kind Contribution**

The Contractor is contributing \$217,560 comprised of wages paid to workers while in training.

**COMMENTS:**

Title 22, California Code of Regulations, Section 4417, Secure Job, states in part that the Panel shall fund training for employment that is stable and that an employer's turnover rate shall not exceed 20 percent annually. Based on studies done by Purdue University, the call center industry standard turnover rate usually exceeds 30%. ACS has enjoyed a 20 percent turnover rate in the last 12 months, which is significantly lower than the industry standard. ACS has achieved this by an improved hiring process and a continued commitment to providing effective on-the-job training and support.

ACS anticipates the ETP-funded training will result in increased productivity as measured by meeting or exceeding contractual requirements. ACS further expects to lower its turnover rate to 18% by the end of the contract period through enlarging and developing front-line supervisory staff which, in turn, will provide more direct and more timely coaching and support to front-line workers.

**PROPOSED ACTION:**

This proposal currently contains an SOST component. However, based on the recent findings of the SOST study conducted by the California State University at Northridge, staff recommends that the Panel not approve the SOST hours requested in this proposal. If the Panel later implements a policy regarding the use of SOST, then this applicant should be given the opportunity to amend its Agreement to include SOST hours consistent with such policy. Without the requested SOST hours, some of the job numbers in this proposal will not meet the total minimum training hours requirement of 40 hours. Pursuant to its authority in title 22, California Code of Regulations, section 4400(y), staff requests that the Panel allow the training which varies from the 40 hour minimum. Staff recommends that the Panel approve the non-SOST component in this One-Step Agreement, if funding is available and the project meets Panel priorities. This recommendation is based on ACS' stated need to provide its workers with skills to remain competitive, to ensure a continuing relationship with its customers, and to remain viable in the California economy.

**TRAINING PLAN:**

Grp/Trainee Type	Types of Training	No. Retain	No. Class/Lab Videocnf. Hrs	No. CBT Hrs	No. SOST Hrs.	Cost per Trainee	Hourly Wage after 90 days
Job 1 Retrainee	Management Skills, Computer Skills	30	114	0	0	\$1,482	\$15.91-\$22.57
Job 2 Retrainee	Computer Skills	300	24	0	16	\$440	\$11.88-\$19.50
						<b><u>Prevalent Hourly Wage</u></b>	
						\$17.23	
						<b><u>Average Cost per Trainee</u></b>	
						\$535	
<b><u>Health Benefit used to meet ETP minimum wage:</u></b>						<b><u>Turnover Rate</u></b>	<b><u>% of Mgrs &amp; Supervisors to be trained:</u></b>
N/A						20%	9%

Affiliated Computer Services, Inc.  
Training Curriculum

Class/Lab Hours	SOST Trainer Hours
Job 1 - 114	0
Job 2 - 24	480

Trainees will receive any of the following:

**Management Skills**

Role of the Supervisor  
Effective Communication  
Interpersonal Communication  
Conflict Resolution  
Handling Difficult People  
Coaching  
Motivating  
Handling Performance Problems  
Documenting Performance  
Customer Service

**Computer Skills**

Computer Telephone Integration  
New System Hardware/Software  
Navigation Skills

SOST Trainer Activity Plan:

Review class/lab training  
Have trainee demonstrate knowledge of new system  
Observe trainee navigate through system correctly  
Observe trainee locate correct information  
Observe trainee use system to resolve Borrower issue  
Critique and coach trainee's performance

Competency: Representative/Counselor is able to use new system to answer Borrower questions, resolve Borrower problems without transferring calls.